



Janet T. Mills  
Governor

STATE OF MAINE  
DEPARTMENT OF PROFESSIONAL & FINANCIAL REGULATION  
BUREAU OF INSURANCE



Timothy N. Schott  
Acting Superintendent

Anne L. Head  
DPFR Commissioner

April 28, 2022

Timothy N. Schott, Acting Superintendent  
Maine Bureau of Insurance  
34 State House Station  
Augusta, ME 04333-0034

Dear Acting Superintendent:

Pursuant to the provisions of 24-A M.R.S. §4215 and in conformity with your instructions, a financial examination has been made of

**AETNA HEALTH INC. (A MAINE CORPORATION)**

as of December 31, 2020. The following report is respectfully submitted.

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**STATE OF MAINE  
BUREAU OF INSURANCE**

**REPORT OF FINANCIAL EXAMINATION**

**AETNA HEALTH INC. (A MAINE CORPORATION)  
PORTLAND, MAINE**

**AS OF DECEMBER 31, 2020**

**NAIC COMPANY CODE: 95517**

**NAIC GROUP CODE: 0001**

**ACCEPTANCE OF REPORT OF EXAMINATION**

WHEREAS a verified Report of Examination of Aetna Health Inc. (a Maine corporation) dated April 28, 2022 was delivered to that insurer on June 10, 2022; and

WHEREAS Aetna Health Inc. (a Maine corporation) and Bureau of Insurance staff have agreed to certain modifications with respect to the Report of Examination; and

WHEREAS I find such modifications proper; and

WHEREAS no hearing with respect to the Report of Examination has been requested by Aetna Health Inc. (a Maine corporation);

NOW THEREFORE, I accept the Report of Examination and hereby order it placed on file in the Bureau of Insurance as provided for by 24-A M.R.S. §226 (3).

Dated: 6/30/2022

  
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Timothy N. Schott, Acting Superintendent

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## **SCOPE OF EXAMINATION**

Aetna Health Inc. (a Maine corporation) (the “Company” or “AHI-ME”) was last examined as of December 31, 2017, by the State of Maine Bureau of Insurance (MBOI). This examination covered the period from January 1, 2018, to December 31, 2020.

This examination was performed pursuant to the risk-focused approach promulgated by the National Association of Insurance Commissioners (NAIC), in conformity with statutory accounting practices, NAIC guidelines, the 2021 Financial Condition Examiners Handbook and the laws, rules, and regulations prescribed or permitted by the State of Maine. The examination consisted of a review of the Company's operations, controls, corporate governance, valuation of assets, and determination of liabilities at December 31, 2020. The examination also included the identification and evaluation of significant risks that could cause the Company’s surplus to be materially misstated both currently and prospectively.

This examination was performed as part of a coordinated multi-state examination of insurance subsidiaries of CVS Health Corporation (“CVS Health” or the “Group”), the Company’s ultimate parent. The Group includes fifty-nine regulated entities domiciled in twenty-six states; in addition to Maine, the states of Arizona, Florida, Georgia, Illinois, Iowa, Kansas, Louisiana, Michigan, Minnesota, Missouri, Nebraska, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, Vermont, Virginia, Washington, and West Virginia participated in the examination. The Connecticut Insurance Department (CID) served as the lead state on the examination. Ernst & Young LLP (E&Y) performed the 2020 external audit of AHI-ME and all insurance affiliates. E&Y work papers were utilized for this examination to the extent deemed appropriate. The MBOI utilized the work of the CID when appropriate in order to enhance the effectiveness and efficiency of this examination.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination does not attest to the fair presentation of the financial statements included herein. Comments on various balance sheet items, for purposes of this report, may be limited to matters involving clarification, departures from laws, rules and regulations, and/or significant changes in amounts. To the extent deemed necessary, transactions occurring subsequent to the examination date were reviewed.

This examination report includes significant findings of fact, pursuant to 24-A M.R.S. §225 (1), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature, are not included herein, and are instead separately reported to other regulators and/or the Company.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **PRIOR EXAMINATION**

The Company was not able to provide evidence of compliance with 24-A M.R.S. § 4303(22), which stated that a carrier may not deny payment for any health care service covered under an enrollee's health plan based solely on the basis that the enrollee's referral was made by a provider who is not a member of the carrier's provider network. However, subsequent to the examination, on September 19, 2019, 24-A M.R.S. § 4303(22) was amended to state that carriers are only required to honor referrals made by a direct primary care provider who has a contractual relationship with the enrollee. In light of the change in statute, it appears that the Company is no longer non-compliant.

### **CURRENT EXAMINATION COMMENTS**

None noted.

## **THE COMPANY**

### **HISTORY**

The Company was incorporated in the State of Maine on October 3, 1995. In accordance with 24-A M.R.S. §4203, the Company was organized as a for-profit, privately held health maintenance organization (HMO) to provide health care benefits and managed care services. The Company was established as a direct subsidiary of NYLCare Health Plans, Inc. with the ultimate parent being New York Life Insurance Company. The Company was licensed to conduct business as an HMO on April 10, 1996.

On July 15, 1998, Aetna Inc., a Connecticut corporation acquired all the outstanding common stock of the Company's immediate parent, NYLCare Health Plans, Inc., and transferred ownership to Aetna U.S. Healthcare Inc., a Pennsylvania corporation, whose ultimate parent was Aetna Inc., a Connecticut corporation. Effective December 28, 1998, the Company's name was changed from NYLCare Health Plans of Maine, Inc. to Aetna U.S. Healthcare Inc., and its ultimate parent remained Aetna Inc., a Connecticut corporation.

On December 13, 2000, Aetna Inc., a Connecticut corporation, simultaneously sold its non-health business and spun-off the health care business to shareholders in the form of cash and shares in Aetna U.S. Healthcare Inc., a Pennsylvania corporation. Aetna U.S. Healthcare Inc., a Pennsylvania corporation, was then renamed Aetna Inc., a Pennsylvania corporation.

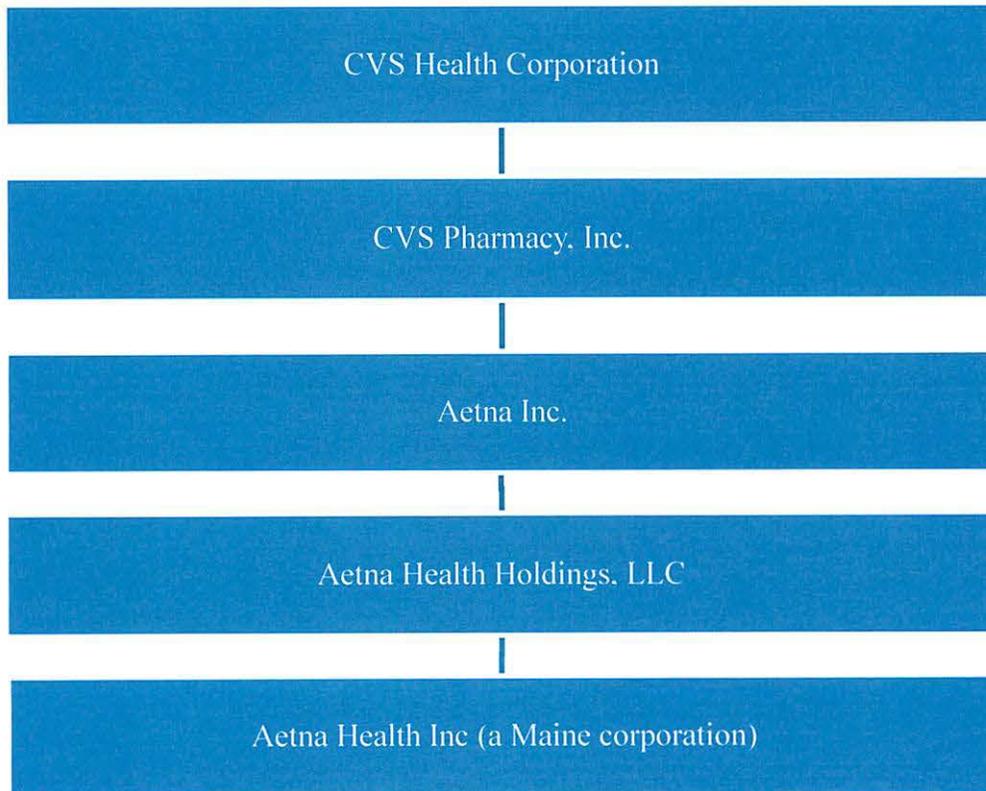
On June 14, 2002, the Company changed its name from Aetna U.S. Healthcare Inc. to Aetna Health Inc. (a Maine corporation).

Effective October 1, 2009, the Company became a wholly-owned subsidiary of Aetna Health Holdings, LLC, a Delaware corporation (AHH) whose parent is Aetna Inc. (Aetna). On November 28, 2018, CVS Health Corporation acquired control of Aetna, with Aetna becoming an indirect wholly-owned subsidiary of CVS Health and a direct wholly-owned subsidiary of CVS Pharmacy, Inc.

**MANAGEMENT AND CONTROL**

The Company is a wholly-owned subsidiary of AHH whose ultimate parent is CVS Health.

An abbreviated organizational chart as of December 31, 2020 is presented below:



**CORPORATE RECORDS**

The Company’s articles of incorporation, bylaws, and minutes of the board of directors meetings held during the period under examination were reviewed.

**CORPORATE GOVERNANCE**

The Company is governed and overseen by its board of directors and the management team of the Company as well as the board of directors of CVS Health and AHH and committees thereof.

As of December 31, 2020, the board of directors of the Company consisted of the following members:

<b><u>Name</u></b>	<b><u>Title</u></b>
Vincent John Liscomb, Jr.	Director
Spence William Papke	Director
Duncan Graeme Stuart	Director

As of December 31, 2020, the officers of the Company included the following individuals:

<b><u>Name</u></b>	<b><u>Title</u></b>
Duncan Graeme Stuart	President
Robert Joseph Parslow*	Principal Financial Officer & Controller
Edward Chung-I Lee	Vice President and Secretary
Tracy Louise Smith	Vice President and Treasurer
Gregory Stephen Martino	Vice President
Kevin James Casey*	Senior Investment Officer

\* On November 15, 2021, Derek Scott Blunt replaced Kevin James Casey as Senior Investment Officer; and on March 17, 2022, Steven Matthew Conte replaced Robert Joseph Parslow as Principal Financial Officer and Controller.

#### **TRANSACTIONS WITH AFFILIATES**

The Company is party to an Administrative Services Agreement with Aetna Health Management, LLC, (AHM) under which AHM and certain AHM affiliates provide certain administrative services including accounting and processing of premiums and claims, care and utilization management services, ambulatory care/outpatient services, pharmacy benefit management services, and technology solutions.

The Company has an Insolvency Agreement with Aetna Health Insurance Company (AHIC) under which, in the event the Company ceases operations or becomes insolvent, AHIC will continue to pay member benefits until the member is discharged.

The Company participates in a Tax Sharing Agreement with CVS Health and other CVS Health subsidiaries, under which the tax provisions are generally computed as if the Company were filing a separate tax return.

The Company has a Guaranty Agreement with Aetna under which Aetna guarantees that the Company will maintain a minimum capital and surplus as required by Maine Law.

On October 29, 2019, the Company declared an extraordinary dividend of \$5,000,000 which was paid to its parent, AHH, on December 2, 2019. On October 29, 2020, the Company declared an extraordinary dividend of \$1,900,000 which was paid to AHH on December 4, 2020.

#### **TERRITORY & PLAN OF OPERATION**

The Company offers health insurance and managed care products, as well as coverage under the Medicare program regulated by the Centers for Medicare & Medicaid Services. The Company is licensed in the State of Maine only.

#### **REINSURANCE**

Effective April 1, 2014, the Company entered into an administrative agreement with Fresenius Medical Care Holdings, Inc. and concurrent execution of a quota share reinsurance agreement with Fresenius Medical Care Reinsurance Company (Cayman) Ltd, for a Medicare Advantage End Stage Renal Disease program.

## **FINANCIAL STATEMENTS**

The Statement of Admitted Assets, Liabilities and Surplus, the Statement of Revenue and Expenses, and the Statement of Capital and Surplus are as presented by management and audited by the Company's external auditors. It should be noted that these financial statements have not been audited by the MBOI and thus the MBOI does not express an opinion on the financial statements as a whole.

**STATEMENT OF ADMITTED ASSETS, LIABILITIES, AND SURPLUS  
AS OF DECEMBER 31, 2020**

**Assets**

Bonds	\$ 25,069,699
Cash equivalents	9,051,710
Investment income due and accrued	130,654
Uncollected premiums in the course of collection	139,581
Accrued retrospective premiums and contracts subject to redetermination	3,729,165
Amounts receivable relating to uninsured plans	676,586
Net deferred tax asset	188,176
Health care receivable	831,794
Aggregate write-ins for other than invested assets	<u>398,677</u>
Total assets	<u>\$ 40,216,042</u>

**Liabilities**

Claims unpaid less reinsurance ceded	\$ 8,393,895
Accrued medical incentive pool and bonus amounts	1,067,900
Unpaid claims adjustment expenses	126,341
Aggregate health policy reserves	4,922,275
Aggregate health claim reserves	6,124
Premiums received in advance	30,991
General expenses due or accrued	1,399
Current federal and foreign income tax payable	890,177
Amounts due to parent, subsidiaries and affiliates	2,577,813
Funds held under reinsurance treaties	37,803
Liability for amounts held under uninsured plans	<u>157,111</u>
Total liabilities	<u>18,211,829</u>

**Capital and Surplus**

Common capital stock	\$ 1,000,000
Gross paid in & contributed surplus	8,700,000
Unassigned funds	<u>12,304,213</u>
Total Capital and Surplus:	<u>22,004,213</u>
Total Liabilities, Capital and Surplus	<u>\$ 40,216,042</u>

**STATEMENT OF REVENUE AND EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**

Member Months	150,983
Net premium income	\$111,453,611
Change in unearned premium reserves	<u>(2,633,880)</u>
Total revenues	<u>108,819,731</u>
Hospital/medical benefits	65,438,469
Other professional services	4,275,782
Outside referrals	1,476,441
Emergency room and out-of-area	3,872,592
Prescription drugs	11,632,580
Incentive pool, withhold adjustments and bonus amounts	1,155,107
Subtotal	<u>87,850,971</u>
Less:	
Net reinsurance recoveries	344,076
Total hospital and medical	<u>87,506,895</u>
Claims adjustment expenses	2,237,197
General administrative expenses	12,779,233
Increase in reserves for life and accident and health contracts	193,071
Total underwriting deductions	<u>102,716,396</u>
Net underwriting gain	<u>6,103,335</u>
Net investment income earned	783,773
Net realized capital gains	<u>10,049</u>
Net investment gains	<u>793,822</u>
Net income after capital gains tax, before federal tax	<u>6,897,157</u>
Federal and foreign income taxes incurred	<u>1,679,708</u>
Net income	<u><u>\$ 5,217,449</u></u>

**STATEMENT OF CAPITAL AND SURPLUS  
YEAR ENDED DECEMBER 31, 2020**

Capital and surplus, December 31, 2019	\$ 19,072,505
Net income	5,217,449
Change in net deferred income tax	159,411
Change in nonadmitted assets	(545,152)
Dividends to stockholders	(1,900,000)
Net change in capital and surplus	<u>2,931,708</u>
Capital and surplus, December 31, 2020	<u>\$ 22,004,213</u>

## COMMENTS ON THE FINANCIAL STATEMENTS

### NOTE 1 – RESERVES

Lewis & Ellis, Inc. (“consulting actuary”) was engaged to provide actuarial assistance for the financial examination of insurance subsidiaries within the CVS Health Group, including the Company, as of December 31, 2020. The consulting actuary’s review included: participation in interviews of the Company’s actuaries to gain an understanding of the processes to develop and report reserves and liabilities and appropriately price products; review of controls to mitigate certain reserving and pricing risks; review of the Appointed Actuary’s 2020 Actuarial Opinion and Memorandum; and testing to verify that the assumptions and methodologies used by the Company to determine liabilities and reserves are reasonable, appropriate, and in line with established actuarial practice.

### NOTE 2 – CAPITAL AND SURPLUS

The following table describes the capital and surplus changes for the three-year period since the MBOI’s last examination of the Company, dated December 31, 2017:

Capital and surplus, December 31, 2017	\$ 17,547,156
Net income	11,819,504
Change in net deferred income tax	95,594
Change in nonadmitted assets	(558,041)
Dividends to stockholders	<u>(6,900,000)</u>
Capital and surplus, December 31, 2020	<u>\$ 22,004,213</u>

### SUBSEQUENT EVENTS

On April 29, 2021, the Company declared an extraordinary dividend of \$3,300,000 which was paid to AHH on May 18, 2021.

### SUMMARY OF RECOMMENDATIONS

There are no report level recommendations.

STATE OF MAINE  
COUNTY OF KENNEBEC, SS

Vanessa J. Sullivan, being duly sworn according to law deposes and says that, in accordance with authority vested in her by Timothy N. Schott, Acting Superintendent of Insurance, pursuant to the Insurance Laws of the State of Maine, she has made an examination of the condition and affairs of the

**AETNA HEALTH INC. (A MAINE CORPORATION)**

located in Portland, Maine as of December 31, 2020, and that the foregoing report of examination subscribed to by her is true to the best of her knowledge and belief. The following examiners from the Bureau of Insurance assisted:

Audrey L. Wade, CFE, CISA  
Jeremy C. Finch

  
\_\_\_\_\_  
Vanessa J. Sullivan, CFE

Subscribed and sworn to before me  
This 30 day of June, 2022

  
\_\_\_\_\_  
Notary Public  
My Commission Expires:

KARMA LOMBARD  
Notary Public, Maine  
My Commission Expires June 12, 2023

